

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, March 04, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 29
 - Chicago PMI (Feb)
 - Pending home sales (Jan)
- March 1: ISM manufacturing (Feb)
- March 2
 - ADP employment (Feb)
 - Fed beige book
- March 3
 - Jobless claims (weekly)
 - Factory orders (Jan)
 - ISM non-manufacturing (Feb)
- March 4
 - Non-farm payrolls (Feb)
 - U/E rate (Feb)
 - Average hourly earnings (Feb)
 - Trade balance (Jan)

EUROZONE

- February 29: HICP (Jan, A)
- March 1: PMI manufacturing (Feb, f)
- March 2: PMI services (Feb, f)

GREECE

- February 29
 - Retail sales (Dec)
 - GDP (quarterly, Q4, f)
- March 1: PMI (Feb)
- March 4: GDP (est, annual)

CYPRUS

- March 3: CPI (Feb)

SEE

BULGARIA

- February 29: Budget balance (Jan)

ROMANIA

- March 1
 - ILO U/E (Jan)
 - International Reserves (Feb)
- March 3: Retail sales (Dec)

SERBIA

- February 29
 - Industrial prod (Jan)
 - GDP (Q4, f)
 - CAD (Dec)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets retained a positive tone in early trade on Friday supported by higher oil prices and a fresh string of encouraging US macro data. In FX markets, the USD was little changed as investors adopt a cautious stance ahead of today's US non-farm payrolls report for the month of February (14:30 CET). Market consensus is for an increase of 190k following a drop of 151k in January while the unemployment rate is expected to remain unchanged at an eight-year low of 4.9%.

GREECE: In a general news briefing yesterday, IMF spokesman Gerry Rice acknowledged that "good progress" has been made in recent discussions over Greece's 1st programme review. He added that he expects an early return of the IMF mission to Greece clarifying that the exact date will be officially announced after the upcoming Eurogroup that convenes on Monday, March 7. Meanwhile, at the request of Greece's Prime Minister Alexis Tsipras, the President of the Hellenic Republic, Prokopis Pavlopoulos, has called today a council meeting of political leaders ahead of the critical EU-Turkey Summit on March 7th which will focus on the refugee crisis.

SOUTH EASTERN EUROPE

ROMANIA: Retail sales showed no signs of cooling off in the first month of the year, expanding at the highest rate in seven years. On a seasonally and working day adjusted basis, retail sales accelerated further by +1.9% MoM/+14.9% YoY in January up from +0.7% MoM/+14.2% YoY in December and +2.4% MoM/+14.1% YoY in November.

CESEE MARKETS: The majority of **emerging stock markets** moved modestly higher earlier on Friday continuing to receive support from recent upbeat macroeconomic data from the US and recovering oil prices. Additionally, market optimism prevails that Chinese authorities will unveil further stimulus measures to support the world's second largest economy over the weekend. Nonetheless, caution is evident ahead of the US non-farm payrolls report due for release later in the day. In this environment, **regional currencies** were mixed in early European trade on Friday, though many remained near multi-week/month highs hit earlier in the week.

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Latest world economic & market developments

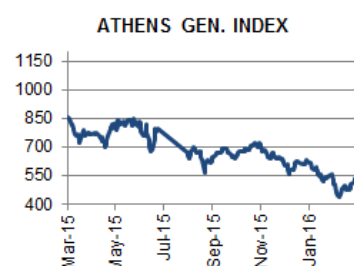
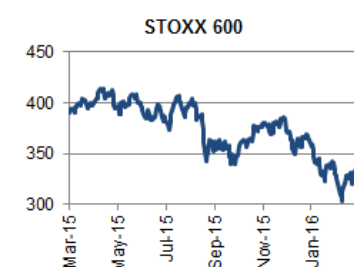
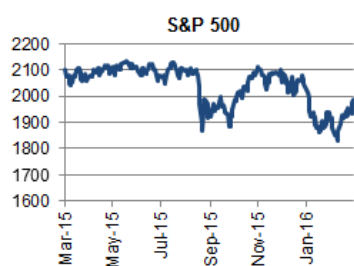
GLOBAL MARKETS

The majority of global equity markets retained a positive tone in early trade on Friday supported by higher oil prices and a fresh string of encouraging US macro data. Crude oil Brent price was hovering around \$37.14/barrel in European trade at the time of writing, recording weekly gains c. 6% so far amid market expectations for an agreement among OPEC countries to freeze oil production in the foreseeable future. US Initial jobless claims unexpectedly rose by 6k last week coming to a seasonally adjusted 278k. Yet, the figure remained below the 300k threshold pointing to an ongoing improvement in labor market conditions. Furthermore, according to the ISM, US non-manufacturing activity continued to expand in February albeit at a slower pace with the respective index standing at 53.3 from 53.5 in the previous month. Yet, the employment component fell below the 50.0 level for the first time in two years, a development that does not bode well for today's US non-farm payrolls report. Against this background, US Treasuries were firmer today with short-dated notes outperforming and the 2/10-yr yield curve undertaking some bullish steepening. In FX markets, the USD was little changed as investors adopt a cautious stance ahead of the key US February's non-farm payrolls report (14:30 CET). Market consensus is for an increase of 190k following a drop of 151k in January while the unemployment rate is expected to remain unchanged at an eight-year low of 4.9%.

GREECE

In a general news briefing yesterday, IMF spokesman Gerry Rice acknowledged that "good progress" has been made in recent discussions over Greece's 1st programme review. He added that he expects an early return of the IMF mission to Greece clarifying that the exact date will be officially announced after the upcoming Eurogroup that convenes on Monday, March 7. The IMF official reiterated that the Fund foresees a fiscal shortfall of 4%-5%-of-GDP to arise cumulatively in the period between FY-2016 and FY-2018 and stressed that the Fund shares the view that the review should be completed as soon as possible. Meanwhile, refuting some local press reports suggesting that official creditors might be willing to grant some leeway to the Greek government as regards the full implementation of the conditionality attached to the completion of the review, German Finance Minister Wolfgang Schäuble made clear that, although the migration crisis presents a major challenge for the country, it should not be used as an excuse for further delaying to implement the terms of the bailout programme. According to the local press, the ECB/IMF/EC/ESM mission heads are likely to return to Athens next week, probably the day after the March 7th Eurogroup, to resume discussions with the Greek authorities in the context of the 1st review. Meanwhile, at the request of Greece's Prime Minister Alexis Tsipras, the President of the Hellenic Republic, Prokopis Pavlopoulos, has called today a council meeting of political leaders ahead of the critical EU-Turkey Summit on March 7th which will focus on the refugee crisis. Greece's Premier has threatened to exercise veto power unless all member states agree to participate proportionately in the relocation and resettlement of refugees in the forthcoming EU summit. The government announced yesterday the establishment of a special committee to coordinate all ministries dealing with the migration crisis. Its first task is to provide data on the number of migrants currently in Greece.

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Source: Reuters, Bloomberg, Eurobank Research

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

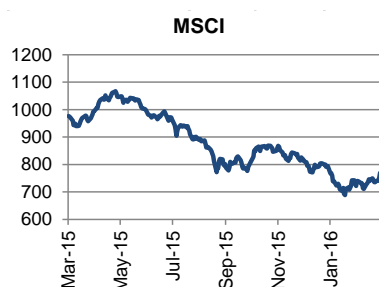
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicators	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.25

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

ROMANIA

Retail sales showed no signs of cooling off in the first month of the year, expanding at the highest rate in seven years. On a seasonally and working day adjusted basis, retail sales accelerated further by +1.9% MoM/+14.9% YoY in January up from +0.7% MoM/+14.2% YoY in December. A large part of the increase is explained by the explosive annual rise of the food-related items (+1.4% MoM/+26.1% YoY in January and +0.7% MoM/+26.4% YoY in December) as a result of the VAT rate cut on food items effective since last June (from 24% to 9%) and their large share in the consumption basket (28%). Non-food items came out flat on a monthly basis, yet on annual basis their expansion was four times higher than the average in last year (+2.5% YoY in 2015). Non-food items expanded by 0% MoM/+10.6% YoY in January compared to -0.1% MoM/+11.4% YoY in December. Overall, the robust performance of retail sales is a very good proxy of economic activity remaining strong at the onset of 2016, while the jump recorded in the retail trade confidence data in February (from 6.4 in January to 12.9 in February) point to spending intentions remaining strong.

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CESEE MARKETS

The majority of **emerging stock markets** moved modestly higher earlier on Friday continuing to receive support from recent upbeat macroeconomic data from the US and recovering oil prices. Additionally, market optimism prevails that Chinese authorities will unveil further stimulus measures to support the world's second largest economy over the weekend. Nonetheless, caution is evident ahead of the US non-farm payrolls report due for release later in the day. Against this backdrop, the MSCI Emerging Markets index rose modestly on a daily basis at the time of writing, standing in the black for the 6th session running. The index appears poised to end the week with the highest weekly gains (ca 6%) recorded since early October last year. Elsewhere, bourses in the CESEE region opened mixed. Bulgarian markets are closed today for holiday.

In this environment, **regional currencies** were mixed in early European trade on Friday, though many remained near multi-week/month highs hit earlier in the week. It is worth noting that regional assets have been broadly supported over the last few sessions thanks to recently released upbeat macroeconomic data from the region as well as the US. Moreover, increased expectations for further ECB stimulus measures at the upcoming MPC meeting next week and a rebound in global stock and commodities markets recently have also favoured. Reflecting this improvement in risk appetite, emerging sovereign debt spreads over USTs on the EMBI+ index tightened this week to their lowest level since early January (419.8bps).

In the FX markets, the Hungarian forint retained a firm tone earlier today amid optimism about a credit rating upgrade on the country's ratings by Moody's later today. The EUR/HUF hovered around levels of 309.40 at the time of writing, remaining within distance from Thursday's multi-session trough near 308.30. Meanwhile, the Polish zloty stood modestly lower in morning trade today from a 2-month peak of 4.3120/EUR hit earlier in the week. Similarly, the Romanian leu hovered close to Wednesday's 3-month peak of 4.4462/EUR at the time of writing. The Turkish lira led the losses in the region today, with the USD/TRY falling by 0.5% on the day to 2.9198 at the time of writing. Nonetheless, the pair remained close to a 1-month trough of 2.9040/USD tested yesterday after February's consumer inflation fell more than anticipated somewhat soothing inflation worries and concerns over the Central Bank credibility.

GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1983.03	-0.2%	-3.0%	EUR/USD	1.0921	0.5%	0.6%	UST - 10yr	1.85	1	-42	GOLD	1247	0.5%	17.5%
Nikkei 225	16960.16	1.3%	-10.9%	GBP/USD	1.4129	0.4%	-4.1%	Bund-10yr	0.19	-2	-44	BRENT CRUDE	36	-1.3%	-2.3%
STOXX 600	339.56	-0.4%	-7.2%	USD/JPY	113.59	-0.1%	5.7%	JGB - 10yr	-0.01	2	-28	LMEX	2288	1.4%	3.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	0	-19
1-week	2.95	0	-24
1-month	3.12	1	-39
3-month	3.30	3	-53
6-month	3.50	3	-53

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.49	0	-17
5Y RSD	5.22	0	9
7Y RSD	7.64	0	-6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.94	-2	-22
USD Nov-24	6.18	0	-24

CDS

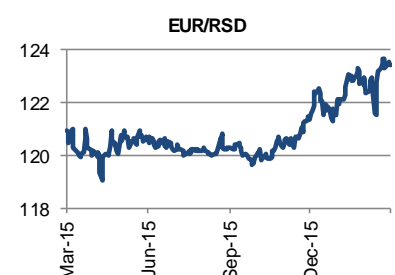
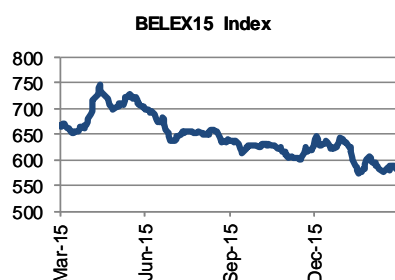
	Last	ΔDbps	ΔYTD bps
5-year	288	0	14
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	590.5	0.85%	-8.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.35	0.10%	-1.43%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	-2	-13
1-month	0.54	0	-15
3-month	0.76	0	-26
6-month	1.03	0	-31
12-month	1.2	1	-32

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	4	-7
5Y RON	2.72	1	-8
10Y RON	3.44	-1	-34

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.49	#N/A N/A	-8
USD Jan-24	3.33	0	-46

CDS

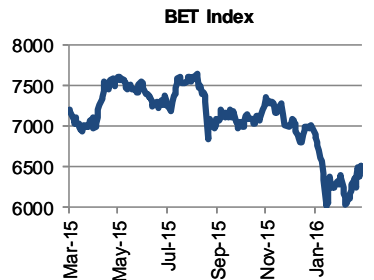
	Last	ΔDbps	ΔYTD bps
5-year	120	-2	-13
10-year	166	-2	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6566.4	0.42%	-6.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4596	-0.13%	1.22%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.07	0	-23
3-month	0.04	1	-22
6-month	0.23	0	-30
12-month	0.58	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	4	-22
5Y BGN	1.14	5	-13
10Y BGN	2.65	0	0

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	-66	-4
EUR Sep-24	2.40	6	-2

CDS

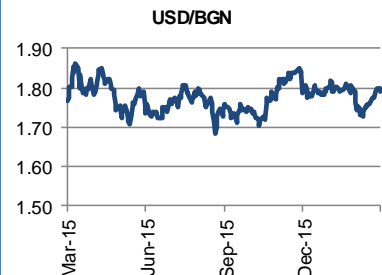
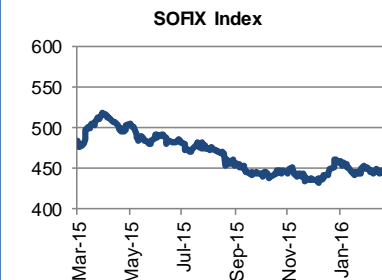
	Last	ΔDbps	ΔYTD bps
5-year	166	-1	-6
10-year	213	-1	-3

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.8	-0.70%	-3.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7909	0.49%	0.52%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 16:50 EET of previous session

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